

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ADP-00 CIAE-00 DODE-00 PM-09 H-02 INR-10

L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 CEA-02 STR-08 ABF-01

AGR-20 NEA-10 RSR-01 /207 W
----- 102884

R 181749 Z MAY 73
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 1296
INFO AMEMBASSY BONN
USMISSION EC BRUSSELS
AMEMBASSY PARIS
USMISSION OECD PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO

UNCLAS SECTION 01 OF 02 LONDON 05861

DEPARTMENT PASS TREASURY, COMMERCE, FRB.

E. O. 11652: N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS: WEEK ENDING MAY 18

BEGIN SUMMARY: GOLD ROSE TO NEW RECORDS AND STERLING
REACHED HIGHEST LEVEL SINCE JUNE 1972 WHEN FLOAT BEGAN.
MARKET AND GOVERNMENT OFFICIALS VIEWED CURRENCY MARKET
DEVELOPMENTS AS A FLURRY, NOT A CRISIS. TRADE FIGURES
WERE GOOD, WITH RECORD EXPORTS, ALTHOUGH LARGE
CURRENT DEFICIT STILL EXPECTED. DOMESTIC ECONOMIC
NEWS WAS GOOD. INDUSTRIAL PRODUCTION IN FIRST QUARTER
GREW 2.25 PER CENT, HIGHEST RATE SINCE 1964; WHOLESALE
PRICE INDEX FOR APRIL FELL SLIGHTLY. "TIMES"
EDITORIALIZED THAT THIS WEEK MAY WELL PROVE TO HAVE
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BEEN TURNING POINT, THE MOMENT AT WHICH STRONG PROBABILITY OF CONSERVATIVE VICTORY IN NEXT ELECTION FIRST BECAME ESTABLISHED, WITH ECONOMIC EVIDENCE SHOWING BRITAIN ENJOYING A MAJOR INDUSTRIAL BOOM, ALMOST CERTAINLY THE GREATEST SINCE THE WAR AND THE FIRST IN NEARLY A DECADE. THE MINIMUM LENDING RATE WAS AGAIN REDUCED, FROM 8 TO 7-3/4 PER CENT. END SUMMARY

1. GOLD REACHED RECORD LEVELS, CONTINUED RISING UNTIL TUESDAY, WHEN IT CLOSED AT \$110.50. IT THEN DROPPED TO CLOSE AT \$103.25 ON THURSDAY, GAIN OF \$8.20 OVER PREVIOUS THURSDAY'S CLOSE. STERLING ALSO ROSE SHARPLY EARLY IN WEEK, TO \$2.5650 ON TUESDAY, THEN FELL TO \$2.5450-\$2.5500 RANGE ON WEDNESDAY AND THURSDAY. EMBASSY COMMENTS IN LONDON 5659. REPORTS FROM BRUSSELS THAT U. K. HAS SOFTENED ITS TERMS FOR ENTRY INTO EC COMMON FLOAT CAUSED SOME UNEASINESS IN MARKET.

2. APRIL TRADE FIGURES WITH RECORD EXPORTS (LONDON 5773) WIDELY HAILED BY GOVERNMENT SPOKESMAN. PETER WALKER, SECRETARY FOR TRADE AND INDUSTRY, COMMENTED: BRITAIN'S ECONOMIC EXPANSION IS AT LAST BECOMING EXPORT BASED. IF GROWTH IS TO BE SUSTAINED, IT IS VITAL THAT BRITISH INDUSTRY RE- EQUIP, USE EXISTING CAPITAL TO THE FULL, AND SEE THAT SALES PROGRAMS CONTINUE TO BE HEAVILY EXPORT ORIENTED. NOT ALL OBSERVERS ARE AS SANGUINE. " TIMES" BUSINESS EDITORIAL MAY 17 NOTES BOTH EXPORT AND IMPORT FIGURES ARE VOLATILE (ON A YO- YO) AND ANTICIPATES TRADE DEFICIT FOR THE YEAR COULD REACH 1.8 BILLION POUNDS, OFFSET BY 700 MILLION POUNDS INVISIBLE SURPLUS AND BY CAPITAL INFLOWS. EVEN UNOFFICIAL OBSERVERS FAVORABLE TO GOVERNMENT PLACE PROSPECTIVE TRADE DEFICIT FOR YEAR IN RANGE OF 1.1 TO 1.5 BILLION POUNDS.

3. IN A MAJOR ADDRESS TO CBI, PRIME MINISTER CITED CURRENT ECONOMIC GROWTH RATE IN EXCESS OF 5 PER CENT. PROVISIONAL ESTIMATE OF INDEX FOR TOTAL INDUSTRIAL PRODUCTION (1963100) IN MARCH WAS 137, AND FOR MANUFACTURING ALONE, 140.9. IN FEBRUARY, FIGURES WERE 135.3 AND 138.5. FOR THREE MONTHS, UNCLASSIFIED

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JANUARY TO MARCH 1973, GAIN IS 2.2 AND 2.3 PER CENT, RESPECTIVELY, OVER AVERAGE OF OCTOBER TO DECEMBER 1972. GROWTH OF INDUSTRIAL OUTPUT IS CURRENTLY RUNNING AT HIGHEST LEVEL SINCE 1964, APART FROM MID-1972 FIGURES DISTORTED BY EFFECTS OF STRIKES. MICHAEL CLAPHAM, HEAD OF CBI, HAS WARNED THAT LEVEL OF INDUSTRIAL INVESTMENT MADE IN NEXT SIX TO TWELVE

MONTHS WILL BE CRUCIAL IF U. K. IS TO AVOID RETURN
TO STOP- GO POLICIES. CLAPHAM SAID BRITAIN' S CAPACITY
IS GEARED TO 3 PER CENT ANNUAL GROWTH RATHER THAN
4 OR 5 PER CENT. PRODUCTION CAPACITY MUST BE EXPANDED.
HE ALSO CITED IMPORTANCE OF TRIPARTITE TALKS ON
INCOMES POLICY BETWEEN GOVERNMENT, TUC, AND CBI IN
TERMS OF FUTURE GROWTH AND STABILITY.

4. WHOLESALE PRICES WERE REMARKABLY STABLE IN APRIL,
IN FACT, SHOWING SLIGHT DECLINE. THE ALL- MANUFACTURES
INDEX (OUTPUT PRICES, 1963 100) DECLINED TO 149.5

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L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

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CIEP-02 LAB-06 SIL-01 OMB-01 CEA-02 STR-08 ABF-01

AGR-20 NEA-10 RSR-01 /207 W
----- 102890

R 181749 Z MAY 73
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 1297
INFO AMEMBASSY BONN
USMISSION EC BRUSSELS
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FROM 151.7 IN MARCH, IN PART BECAUSE OF A SLIGHT
REDUCTION IN THE INDEX BECAUSE OF A CHANGE IN REVENUE
DUTIES; THE INDEX OF PRICES OF MATERIALS AND FUEL
BOUGHT BY MANUFACTURERS DECLINED FROM 169.9 TO 169.0.

WITHIN THE INDEX, THE RISE IN MANUFACTURED FOODS WAS
THE SMALLEST SINCE LAST SEPTEMBER.

5. FORWARD DISCOUNT ON STERLING GENERALLY NARROWED
DURING THE WEEK.

	5/10	5/17	CHANGE
1 MONTH	0.45	0.45-1/2	UP .00-1/2
3 MONTHS	1.22	1.20-1/2	DOWN .01-1/2
6 MONTHS	2.62-1/2	2.47-1/2	DOWN .15

(ALL FIGURES IN CENTS)

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6. LOCAL AUTHORITY DEPOSIT RATES DROPPED SLIGHTLY.

H	5/10	5/17	CHANGE
1 MONTH	9-1/2	9-3/16	DOWN 5/8
3 MONTHS	9-9/16	9-1/2	DOWN 1/16
6 MONTHS	9-1/2	9-3/8	DOWN 1/8

7. EURODOLLAR RATES WERE UP SHARPLY AT MIDWEEK,
THEN DECLINED TOWARDS LAST WEEK' S LEVELS.

	5/10	5/17	CHANGE
1 MONTH	8-1/16	8-1/4	UP 3/16
3 MONTHS	8-3/8	8-3/8	NO CHANGE
6 MONTHS	8-5/8	8-5/8	NO CHANGE

8. GOLD CLOSED AT \$103.25 ON MAY 17, UP \$8.20 FROM
PREVIOUS WEEK.

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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

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Decaption Note:
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Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
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30 JUN 2005

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Status: <DBA CORRECTED> gwr 980219
Subject: ECONOMIC DEVELOPMENTS: WEEK ENDING MAY 18
TAGS: ECON, UK
To: BONN
EC BRUSSELS
EUR
OECD PARIS
PARIS
ROME
SECSTATE WASHDC

TOKYO

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005